



**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)  
(916) 445-2641

October 6, 1982

W--- ., R--- & Company  
XXX --- Street  
---, CA XXXXX

Attn: Ms. D--- F---

Gentlemen:

SR – XX-XXXXXX

This is in response to your letter of October 1, 1982.

You have raised a question with respect to the application of the California sales tax to sales of carpet samples.

We understand that as carpet distributors you have recently purchased a number of carpet samples from a manufacturer for \$10. You in turn are selling them to your customers for \$10. You report tax on this selling price and collect "sales tax" from your customer.

You suggest that in accordance with our Regulation 1670, "Gifts, Marketing Aids, Premiums, and Prizes," you may purchase these items for resale since you are selling the items for over 50 percent of your cost.

The manufacturer has advised you that tax applies to the sale to you.

Tax applies to retail sales of tangible personal property. As you indicate, if you were to use the samples or to give them away, it is clear that tax would apply to the sale to you as well as to your sale to your customer.

As a general rule, tax would apply to sales of carpet samples by a manufacturer to a carpet dealer. It has been our position, however, that where a carpet dealer purchases carpet

samples with a definite intention of eventually selling them, after their use for demonstration or display has ended, the sale of the samples to the dealer qualifies as a sale for resale and is not subject to tax. This is without regard to the size of the sample. However, it is our understanding that samples of a size so small as to prevent any practical use being made of them are not normally intended to be resold.

Since it is apparent that you are purchasing the samples with the definite intention of reselling them, you may issue a resale certificate to the manufacturer for these items.

Very truly yours,

Gary J. Jugum  
Assistant Chief Counsel